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C O N F I D E N T I A L SECTION 01 OF 03 LISBON 002771

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SUBJECT: EU-RUSSIA SUMMIT IN PORTUGAL

REF: LISBON 2714

Classified By: POL CHIEF TROY FITRELL, REASONS 1.4 (B,D)

¶1. (U) Summary. At the EU-Russia Summit in Portugal October 26, Russia committed to invite the OSCE to observe the December 2 Duma elections. On missile defense, Putin compared the U.S. proposal to the USSR placing offensive missiles in Cuba. This line garnered much press coverage, which ignored the more positive public tone Putin took on the issue in which he underscored U.S.-Russia cooperation. The summit focused heavily on trade and economic matters, with principals particularly pleased about an early warning system related to Russian energy supplies to the EU. Putin surprised his summit interlocutors with a proposal to establish a Russia-EU Human Rights Institute, in which, Putin declared, Russia could help the EU on human rights issues. End summary.

¶2. (U) The EU-Russia Summit was held October 26 in Mafra, Portugal. Representing the European Council, Portuguese Prime Minister Socrates hosted the event, with the participation, inter alia, of European Commission President Jose Manuel Durao Barroso and Secretary General/High Representative Javier Solana. Russia was represented by President Vladimir Putin. At the summit's closing ceremony, each of the four principals made a statement followed by the signing of two agreements and then a press conference. Socrates spoke in Portuguese, Putin in Russian, and Durao Barroso and Solana in English.

¶3. (U) As reported reftel, the summit included a working session of two hours followed by a 90 minute lunch. The working session was dedicated to the four EU-Russia common spaces: economic, justice/security, external security, and research/education. The lunch was dedicated to such regional and international issues as Kosovo, Iran, the Middle East Peace Process, and Burma. In the press conference, Putin said that the principals "were unanimous" on the regional and international issues in that "international law was paramount."

¶4. (C/NF) Portuguese MFA Political Director Vasco Bramao Ramos told us that the Portuguese interpretation of the lunch discussion was that each side had made its standard points and that neither side had yielded.

OSCE Observers

¶5. (U) During opening statements at the beginning of the press conference, Socrates and Barroso each stressed their pleasure that Putin had confirmed his intention to issue an invitation to the OSCE to observe Russia's December 2 Duma elections. Socrates noted that such an agreement "builds trust." During the press conference itself, however, Putin

ignored a question regarding the date the OSCE could begin its mission and what its mandate would be.

¶6. (C/NF) Immediately following the press conference, Ambassador Bramao Ramos told us privately that Putin had promised to send the invitation letter to the OSCE that day or the next (October 26 or 27). Bramao Ramos said the Russians had told him privately in his recent trip to Moscow that an extended OSCE mission of 90 days would be insulting to a developed member state of the OSCE. Bramao Ramos continued that "They are not an emerging country, you know. I can understand the point of view." He said the Russians had admitted to him that their delay in responding formally to the OSCE was a tactic to eliminate the kind of full-scale mission the OSCE wished to conduct.

Missile Defense

¶7. (C/NF) As noted reftel, Portuguese interlocutors confirmed that Russia wanted Missile Defense (MD) and CFE negotiations on the agenda, but that the EU refused, citing other fora as more appropriate discussion venues.

¶8. (U) During the press conference, however, a Portuguese journalist asked Putin if Russia would accept recent U.S. offers to cooperate on MD. Putin responded that the current disagreement stemmed from the U.S. withdrawal from the Anti-Ballistic Missile Treaty (ABM). Putin then compared the placement of an MD system near Russia's borders with the Soviet attempt to place missiles in Cuba in the 1960s, which led to crisis. Putin noted, however, that relations between the U.S. and Russia have become much stronger, citing his personal friendship with President Bush. Putin also commended the recent visit of Secretaries Rice and Gates for

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clarifying that the USG heard the Russian government's concerns.

¶9. (U) Putin suggested that the efforts on both sides have led the MD discussion to an appropriately technical level. Russia had, said Putin, put forth some proposals and was waiting for the U.S. response. Putin also noted that Russia had proposed an information sharing mechanism, situated in Brussels or elsewhere, to facilitate cooperation on security issues.

Commerce and Energy

¶10. (U) Each of the principals stressed that EU-Russia trade has grown five fold over the last seven years. Putin added that Russia represented the EU's third largest trading partner and the EU represented Russia's largest trading partner. Socrates noted that commerce formed the cornerstone of the EU-Russia relationship. Indeed, Socrates opined that the business relationship was so good, it would take a while for the political relationship to catch up.

¶11. (U) Putin noted that observers suggest Russia's economy consists only of petroleum, but that this is a false assessment. Russia, he said, had recently passed Italy in GDP, was gaining on France, and two thirds of its recent growth was not energy related. Putin noted Russia's desire to invest in the EU's energy infrastructure. He compared the 30 billion euros that European companies have invested in the Russian energy sector with the 3 billion euros Russian companies have invested in the EU's energy sector, suggesting that media commentary on Russian buyouts of European companies was greatly exaggerated.

¶12. (U) All principals commented on the early warning system on supply and demand of Russian energy to the EU agreed to in principle in Brussels earlier in the week. As on other topics, Barroso opined that the system would build trust.

¶13. (U) Barroso noted that Russia's WTO accession was pending two purely technical issues, one of which was wood export duties (the other was not cited). Socrates noted that the EU had always supported Russia's WTO accession and that process was coming to an end. Putin then stated, however, that while hopeful on WTO accession, Russia would not join the WTO if negotiators could not recognize the frailty of the emerging Russian economy.

Deliverables: Steel and Narcotics

¶14. (U) During the press conference, two agreements on steel trade and counter-narcotics cooperation were signed. The Agreement on Trade in Certain Steel Products was signed by Portuguese Foreign Minister Luis Amado, European Commissioner Peter Mandelson, and Russian Minister for Economic Development and Trade Elvira Nabiullina. The Memorandum of Understanding between the European Monitoring Centre of Drugs and Drug Addiction and the Russian Federal Drug Control Service was signed by the Director of the European Monitoring Centre Wolfgang Gotz and the Director of the Russian service Viktor Cherkasov.

Putin's Future

¶15. (U) After Socrates, Barroso, and Solana all made extensive references to Mafra being Putin's last summit, Putin himself added wryly that he could not tell if his three colleagues were pleased about this or not. In response to a question regarding his political future, Putin said he had made no decision on a future job, but made the following points: "I will not change the Constitution for my own needs," "I will not run for President in March," "I will not change the structure of authority," and "I will not transfer powers to the Prime Minister as long as it is my decision."

Human Rights and a Surprise Proposal

¶16. (U) All principals noted that Putin had tabled a proposal to establish a Russia-EU Human Rights Institute. The three participants representing the EU expressed agreement with the basic concept of such a proposal, but noted they had to study the details. Putin asserted that the EU has long supported similar organizations in Russia, so it was now time for Russia to do likewise to help the EU with human rights problems across the continent. Putin suggested Brussels as the site of such an institute, but said he would agree to any other European city as well.

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¶17. (U) A Portuguese journalist asked Socrates if his decision to minimize human rights as a summit topic in order to ensure a friendlier summit atmosphere had "paid off." A visibly angry Socrates denied that he had minimized human rights as a topic, stating that it had been discussed. Socrates then cited the proposed institute as a way to protect human rights in both blocs. He added that the EU and Russia indeed had differences, emphasizing that "this is why we have summits."

¶18. (U) Regarding the death of Russian journalist Anna Politkovskaya, an Itass reporter pointed out that the suspected killer of another journalist was living in Sweden. He asked Barroso if the EU would pressure Stockholm as strongly as it pressures Moscow, given that Sweden has refused to extradite the suspect. Barroso responded forcefully that the Politkovskaya case had not been fully investigated and that it was incumbent on Moscow to do so. Free speech and a free press were non-negotiable, he said. Barroso admitted that he was not familiar with the Swedish case, but noted that extradition was a bilateral issue and that no one had any doubts about the rule of law in Sweden. Putin added that his government would investigate all crimes, but he expressed disappointment that Sweden had refused to

extradite a suspected murderer.

Other Notes

¶19. (U) Other points raised at various points during the summit include:

--Solana said he had met with the Iranians recently in Rome on the issue of enrichment of uranium and noted that he would meet with them again before the end of November.

--Commissioner Ferrero-Waldner told journalists that she hoped negotiations on a new EU-Russia partnership agreement would begin at the next summit.

--Putin hoped that the next summit would be in June in Siberia.

--Russia will provide 122 million euros for border control cooperative efforts.

--Visa facilitation discussions will continue.

Comment

¶20. (C/NF) Socrates and other Portuguese government officials characterized the summit as a success, citing the Permanent Partnership Council on culture, the signed agreements on steel and counternarcotics cooperation, an investment dialogue predicated on the growing trading relationship, and the early warning system for possible energy disruptions. This appears to us to be small fish, however, given the importance of international issues like Kosovo, the use of energy supplies as a weapon against various EU member states, cyber attacks on Estonia, and human rights issues in Russia. A British Embassy source told us the Russians could not have hoped for a friendlier host, and the Ukrainian ambassador here expressed frustration that the Portuguese had not taken a firmer line.

¶21. (U) On MD, press coverage generally failed to characterize the overall positive tone of Putin's complete response, when he lauded the 2 2 discussions and noted that current U.S.-Russia differences were technical rather than political. It was clear that few observers were comforted by Putin's carefully-worded comments about his political future.

Hoffman